

**Olena Derevyanko**

PhD (Econ.), Associate Professor,  
Dr. Sc. (Econ.) Degree Seeker,  
National University of Food Technologies, Kyiv, Ukraine,  
y.derevyanko@pr-service.com.ua  
14 Behterevskiy St., Kyiv, 04053, Ukraine

## BUILDING STAKEHOLDERS' TRUST THROUGH KEY DIRECTIONS OF COMPANY'S REPUTATION MANAGEMENT

**Abstract.** The author analyses reasoning for the key directions of building trust and confidence in companies through their reputation management and sets forth specific features of such directions. The author suggests treatment of the company confidence building process as a synergy of the three directions of reputation management, namely: reputation management of information communications (i.e. confidence building through information interference), reputation management of business processes (i.e. confidence building through efficient business processes), and company's influence on stakeholders' values (i.e. trust building as evidence of homogeneity/coincidence between company's values and its target audiences). A time lag between managerial influence and its results, i.e. stakeholder's acts purporting support of company development, is a significant difference characterising such directions of reputation management. Thus, the promptest response is expected to be ensured by information interference, while influence on company's business process is often associated with a longer response, and changes in stakeholders' values require the longest time lag. On the other hand, a reputation built up through information interference only is apt to be less sustainable than that ensured through company's efficient business process and underlying a unique system of stakeholders' values. The author supports the necessity of combined applying of the three directions of reputation management.

**Keywords:** reputation of enterprise; trust; stakeholders' values; interference of information; reputation management.

**JEL Classification:** D21, M39

**О. Г. Дерев'янюк**

кандидат економічних наук, доцент, докторант, Національний університет харчових технологій, Київ, Україна

### ФОРМУВАННЯ ДОВІРИ СТЕЙКХОЛДЕРІВ КРИЗЬ ПРИЗМУ КЛЮЧОВИХ НАПРЯМІВ РЕПУТАЦІЙНОГО МЕНЕДЖМЕНТУ ПІДПРИЄМСТВА

**Анотація.** У статті обґрунтовано ключові напрями формування довіри до підприємства в рамках управління його репутацією та визначено їх особливості. Запропоновано розглядати процес формування довіри до підприємства як системну взаємодію репутаційного менеджменту інформаційних комунікацій (формування довіри як наслідок інформаційної інтерференції), репутаційного менеджменту бізнес-процесів (формування довіри як результат ефективних бізнес-процесів) та впливу підприємства на цінності стейкхолдерів (формування довіри як свідчення спорідненості/тождественності цінностей компанії і її цільових аудиторій). Виявлено таку принципову відмінність, що характеризує зазначені напрями репутаційного менеджменту, як часовий проміжок (лаг), який існує між управлінським впливом і отриманням результату від дій стейкхолдерів, спрямованих на підтримку розвитку компанії. Автором досліджено, що найшвидшу віддачу забезпечує використання інформаційної інтерференції, більш повільну – вплив на бізнес-процеси компанії, і найбільше часу потребуватимуть зміни системи цінностей стейкхолдерів. Однак стійкість репутації, що сформована лише засобами інформаційної інтерференції, буде нижчою, ніж та, що забезпечена ефективними бізнес-процесами організації і спирається на систему цінностей її стейкхолдерів. Автор робить висновок, що сформувати високий рівень довіри до підприємства можна лише через системне використання всіх трьох напрямів репутаційного менеджменту.

**Ключові слова:** репутація підприємства, довіра, цінності стейкхолдерів, інформаційна інтерференція, репутаційний менеджмент.

**Е. Г. Деревянюк**

кандидат экономических наук, доцент, докторант, Национальный университет пищевых технологий, Киев, Украина

### ФОРМИРОВАНИЕ ДОВЕРИЯ СТЕЙКХОЛДЕРОВ СКВОЗЬ ПРИЗМУ КЛЮЧЕВЫХ НАПРАВЛЕНИЙ РЕПУТАЦИОННОГО МЕНЕДЖМЕНТА ПРЕДПРИЯТИЯ

**Аннотация.** В статье обоснованы ключевые направления формирования доверия к предприятию в рамках управления его репутацией и определены их особенности. Предложено рассматривать процесс формирования доверия к предприятию как системное взаимодействие репутационного менеджмента информационных коммуникаций (формирование доверия как следствие информационной интерференции), репутационного менеджмента бизнес-процессов (формирование доверия как результат эффективных бизнес-процессов) и влияния предприятия на ценности стейкхолдеров (формирование доверия как свидетельство родства/тождества ценностей компании и ее целевых аудиторий). Выведено такое принципиальное отличие, характеризующее указанные направления репутационного менеджмента, как временной промежуток (лаг), существующий между управленческим воздействием и получением результата от действий стейкхолдеров, направленных на поддержку развития компании. Автором исследовано, что наиболее быструю отдачу обеспечивает использование информационной интерференции, более медленную – влияние на бизнес-процессы компании, и наибольшее времени требуют изменения системы ценностей стейкхолдеров. Однако устойчивость репутации, сформированная только средствами информационной интерференции, будет ниже той, которая обеспечена эффективными бизнес-процессами организации и опирается на систему ценностей ее стейкхолдеров. Автор делает вывод, что сформировать высокий уровень доверия к предприятию можно только путем системного использования всех трех направлений репутационного менеджмента.

**Ключевые слова:** репутация предприятия, доверие, ценности стейкхолдеров, информационная интерференция, репутационный менеджмент.

**Introduction.** Trust is a moral and aesthetic concept that gains an increasing use in business context. For instance, in the late summer 2012, reputable consulting companies and rating agencies lowered down their estimates of global economy development (see, for example, forecasts of Fitch Ratings), and credibility gap was named among the main reasons of crisis aggravation. In the same context, Bain & Company consultants assert that German financiers are amidst the ever deepest credibility gap since the war time [1]. As the ultimate trigger of interactions between potential investors and business, banks and their depositors, manufacturers and consumers, confidence and trust have their value measurements and currently turn into a full-fledged business category.

**Brief Literature Review.** Unlike western scientists researching comprehensive reputation management, most Ukrainian and Russian authors focus on PR technologies as a tool of reputation management, which position may be clearly seen in works of Korolko (2001) [2], Oleynik & Lapshov (2003) [3], Siniava (2008) [4], Sharkov (2006) [5]. Confidence building is handled within the scope of a new business management direction – reputation management, which is currently contributed to by Blackwell, Miniard & Engel (2006) [6], Dawson (2010) [7], Denial (2010) [8], Doorley & Garcia (2010) [9], Dowling (2002) [10], Fombrun (1996) [11], Gaines-Ross (2008) [12], Griffin (2008) [13], Harrison (2007) [14], Jefkins & Yadin (1998) [15] and others. Comprehensive development of reputation management methodology requires reasoning for the key directions of company confidence building in its reputation management and defining of specific features of such directions.

**Purpose** is to analyse reasoning for the key directions of company credibility building in its reputation management and defining of specific features of such directions. Author's arguments are based on analysis and synthesis, scientific comparison, abstraction, and specification methods.

**Results.** The analysis of topical scientific publications has evidenced existence of the two (often contradictory) directions of company confidence ensuring: 1) trust building through stakeholder's experience of direct contacts with a company, and 2) indirect trust building through mass media applying PR technologies. Favourable experience of direct contacts is ensured through high quality and consumer value of products, timeliness and no delays in the course of contractual relationships, sustainable company development, etc. Efficiency of the second directions, i.e. company credibility building through information messages, depends on specifics of company's interaction with mass media, PR technologies applied, promptness of information responses to changes in market conditions, etc. The author sees no point in detailed explanations of reasons underlying the aforementioned directions, since they largely depend on the primary and secondary company related information channels.

However, any information shall bring about a favourable attitude to efficiently motivate a stakeholder to take acts intending support of company development. Favourable and unfavourable attitudes are triggered by values of an individual stakeholder's (or a group of stakeholders). A renowned reputation researcher, G. Dowling (2002) [10], claims that corporate audiences build up opinions with respect to a company employing an independent assessment system. The author disagrees with such assertion, since the author is of the opinion that intended managerial influence upon company stakeholders' values has gained extended and increasing applying during the recent decades as a direction of credibility ensuring, and its influence on consumers has directly resulted in 'consuming communities' largely relying on practical values and behaviours like 'invidious consumption' (consumption intending others' envious emotions) and 'keeping up with the Joneses' (being not behind others). On the other hand, community value orientations towards scientific and technical progress and innovations have been ensured by manufacturers of novelty products.

Therefore, the author suggests treatment of company credibility building as a synergy of the three directions of reputation management (see Figure 1):

- Reputation management of information communications (credibility building through information interference);
- Reputation management of business processes (confidence building through efficient business processes);
- Company's influence on stakeholders' values (confidence building as evidence of homogeneity/coincidence between company's values and its corporate audiences).

A time lag between management influence and its results, i.e. stakeholder's acts purporting support of company development, is a significant difference characterising the aforesaid directions of reputation management. Thus, the promptest response is expected to be ensured by information interference,

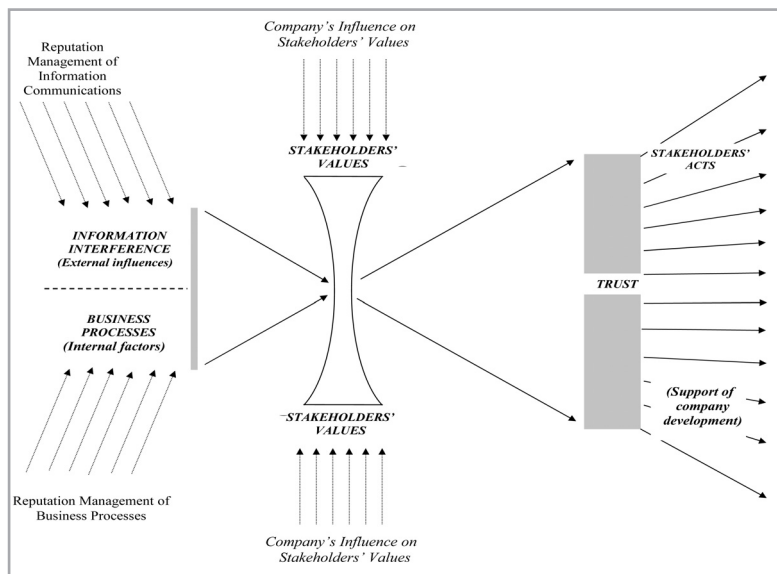


Fig. 1: Trust Resulting from Company's Reputation Building  
Source: Developed by the Author

while influence on company's business process is often associated with a longer response, and changes in stakeholders' values require the longest time lag.

On the other hand, a reputation built up through information interference only is apt to be less sustainable than that ensured through company's efficient business process and underlying a unique system of stakeholders' values (see Figure 2).

The author supports the necessity of combined applying of the three directions of reputation management (see Figure 3). However, the choice of priority ways for trust building by a certain company is prompted by various internal and external environment factors, including:

- Competition intensity in the industry. For instance, a highly competitive environment requires on-line responses to protect reputation, i.e. efficient information communications;

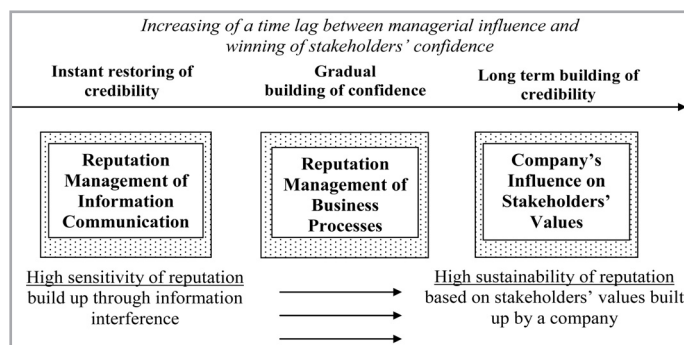


Fig. 2: Promptness of Stakeholders' Credibility Building through Key Directions of Company's Reputation Management  
Source: Developed by the Author

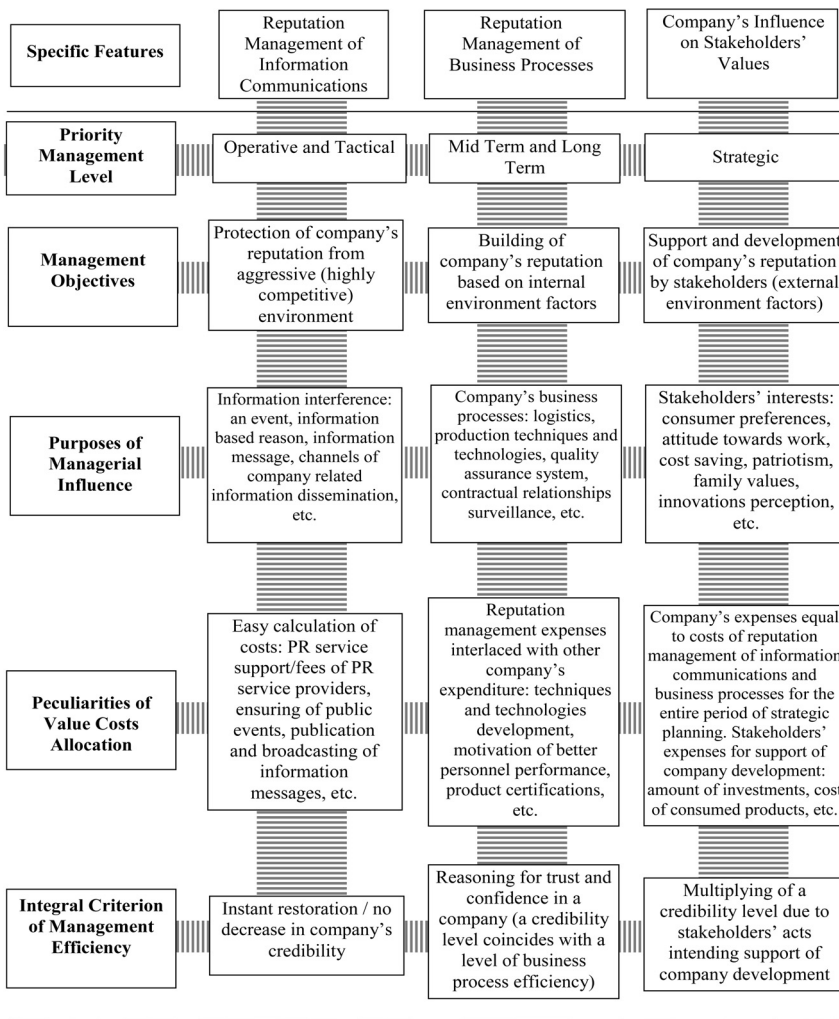


Fig. 3: Specific Features of Key Directions of Company's Reputation Management  
Source: Developed by the Authors

- Stable political and economic situation in the country. Stability ensures long term (rather than short term) planning of company development to switch over from urgent information communications to reputation management of business processes;
- Business innovations. Radical innovations require significant cost and time spending, and would not turn to be efficient unless new values suggested by a company are accepted by consumers. Therefore, influence on consumer values is the priority direction of reputation management for innovation oriented companies;
- Company's life cycle stages. For instance, the stage of prompt building of key stakeholders' favourable attitude towards a company would rather be focused on reputation management of information communications;
- Stakeholders of a certain company subject to reputation management. Stakeholders' stability is of essence, since a higher stability level places a higher emphasis on internal reputation management of business processes and reduces relying on external information interference;
- Level of stakeholders' current trust and confidence in a company. A high level of credibility is a condition precedent to a more intensive company's influence on stakeholders' values, and focus shifting from current reputation protections onto inducing of stakeholders' support of company development.

**Conclusion.** Thus, understanding reputation as stakeholders' trust and confidence in a company, the author sees reputation management as the process of such confidence building. Credibility, in its turn, is ensured through up-to-date business processes, enhanced by information influence tools and transforms to stakeholders' acts intending support of company

development interlacing with their values. Therefore, the author suggests treatment of the company confidence building process as a synergy of the three directions of reputation management, namely: reputation management of information communications, reputation management of business processes, and company's influence on stakeholders' values. We have proofs that a choice of the priority direction shall take into account specificity of such direction, i.e. a time lag between managerial influence and its results (stakeholder's acts aimed at support of company development), and requirements to sustainability (sensitivity) of a reputation built up.

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